

FISCAL NOTE

HB 1942 - SB 1918

April 9, 2001

SUMMARY OF BILL: Creates the Service Industry Business Privilege Tax Act of 2001 which:

- Imposes a monthly privilege tax on the gross revenues for services performed by a service industry business. The tax is equal to 1% of gross revenue and 1% of net revenue taxed at a rate of less than 6% under Title 67, Chapter 6, Part 2. Gross revenue does not include any revenue subject to the state sales tax.
- Defines a service industry business as any entity that performs a taxable service in Tennessee, but does not include a manufacturer, general partnership, or sole proprietorship.
- Provides a tax credit against the tax imposed in the bill for franchise tax, excise tax, professional privilege tax, and insurance premium taxes paid.
- Provides that the tax would be effective on October 1, 2001.

ESTIMATED FISCAL IMPACT:

Increase State Revenues - Net Impact - \$93,900,000 FY01-02 (9 months)
\$125,200,000 FY02-03 (Full Year)

Increase State Expenditures - Exceeds \$3,000,000 Recurring
Exceeds \$2,000,000 One-Time

<u>Increased State Revenues</u>	<u>FY 01-02(9mos.)</u>	<u>FY 02-03</u>
Revenue Generated from tax	\$219,675,000	\$292,900,000
<u>Decreased State Revenues</u>	<u>FY 01-02(9mos.)</u>	<u>FY 02-03</u>
Tax Credits	125,775,000	167,700,000
NET IMPACT STATE REVENUES	\$93,900,000	\$125,200,000

Estimate assumes an increase in state expenditures exceeding \$3,000,000 (recurring) and exceeding \$2,000,000 (one-time) resulting from personnel and operations costs associated with the administration of the provisions of the bill.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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